

Internal Revenue Service
memorandum

date:

AUG 12 1991

to: District Counsel - Jacksonville, Florida

from: Assistant Chief Counsel (Income Tax and Accounting)

subject: Legislative suggestion - Penalty provisions for violations
of I.R.C. § 6050I

This is in reply to your memorandum dated April 16, 1991, to the Assistant Chief Counsel (General Litigation) which was referred to this office for reply.

The penalty provisions relating to section 6050I of the Internal Revenue Code were recently reviewed pursuant to requirements of section 11318(d) of the Revenue Reconciliation Act of 1990, 104 Stat. 1388 (the "1990 Act"). Section 11318(d) called for the Service to conduct a study on the operation of section 6050I, including an examination of the effectiveness of applicable penalties in ensuring compliance with the provisions of section 6050I.

In April 1991, the Service submitted to Congress a report on the study conducted pursuant to section 11318(d) of the 1990 Act. A copy of the text of the report, entitled "Operation of Section 6050I of the Internal Revenue Code," is enclosed. As the report indicates, the Treasury Department and the Service believe that the civil and criminal penalties that currently apply to section 6050I are adequate. In this regard, note that the 1990 Act increased the civil penalty with respect to intentional disregard of the filing requirement. See § 11318(b) of the 1990 Act, amending I.R.C. § 6721(e).

With respect to your comment regarding the inappropriateness of the penalty structure of section 6721 of the Code to returns filed under section 6050I, temporary regulations published under section 6721 do take into account the fact that Form 8300 is not a calendar year return. See Prop. Reg. § 301.6721-1T(b)(6), 56 F.R. 6973 (Feb. 21, 1991), 1991-10 I.R.B. 11.

If you have any further questions in this matter please contact Philip Scott of this office at 566-3826.

By

~~(Signature)~~ Irwin A. Lieb

Irwin A. Lieb

Deputy Assistant Chief Counsel

Enclosure

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